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SUBJECT: ALIKO DANGOTE AND WHY YOU SHOULD KNOW ABOUT HIM

Classified By: Consul General Brian Browne for reasons 1.4 (b) and (d).

11. (C) Summary. Alhaji Aliko Dangote (Dangote) is Nigeria's most well known businessperson and may be its wealthiest citizen. He has taken on the aura of an economic folk hero for some, villain for others. To supporters, he symbolizes that Nigeria can do more than barter and trade. It can succeed in manufacturing. To detractors, he is a predator using connections in a corrupt political economy to tilt the playing field in his favor and sideline potential competition.

The truth resides somewhere between these caricatures. Dangote is counted among President Obasanjo's inner circle of business advisors. It is no coincidence that many products on Nigeria's import ban lists are items in which Dangote has major interests.

12. (C) Summary Cont'd: Although an undiluted success in terms of wealth accumulation, Dangote personifies the duality in Nigeria's economy. This duality presents a dilemma for US economic policy. On one hand, Dangote imports significant amounts of US produce and equipment for his manufacturing ventures. On the other, he has had success blocking trade and investment that might compete with his enterprises. Weighing everything in the balance, we believe the Dangote model is harmful to Nigerian and American interests in the long run. Unfortunately, the Dangote model will likely be the one most emulated until its beggar-thy-countrymen contradictions become more apparent. End summary.

DANGOTE THE COMPANY

13. (U) Alhaji Aliko Dangote (Dangote) is founder, president and CEO of Nigeria's largest national company, Dangote Group of Companies (the Group). Dangote's wealth and prestige are based on his family connections and political friendships yet he is esteemed by many Nigerians for his business acumen. He has led the Dangote Group of Companies (the Group) to unprecedented success in Nigeria, starting the company as a trading entity in 1977 and growing it to an estimated USD 700 million manufacturing or semi-manufacturing behemoth that it is today.

14. (U) The Group is a household name in Nigeria and comes closer than any Nigerian company to market domination in many sectors. The Group employs roughly 10,000 Nigerians and turns over a profit estimated at USD 1.3 billion. It runs 15 manufacturing and bagging facilities nationwide and has operations in industries as wide ranging as cement, sugar, wheat, textiles, polypropylene sacks, and property leasing. Part of the Dangote business strategy is to focus on provision of basic human needs: food, shelter, and clothing.

15. (C) In each industry, the Dangote Group has been able to climb from zero production at market entry to become a top producer in a relatively brief period. Sugar refining began in 1999 and today the Group manufactures an estimated 100 percent of Nigeria's sugar consumption needs.

In cement, the Group reports it started from zero importation of production inputs five years ago to today importing between 3.5 and 4.0 million tons each year, comprising 50 percent of imported cement into Nigeria and 40 percent of the total cement market in Nigeria. A Dangote manager told AgAttache and Econoff the Group's goal is to dominate every sector in which it operates. He also proclaimed its willingness to play hardball to reach its goal.

FROM TRADING TO MANUFACTURING -- THE DANGOTE AND GON
SHARED DREAM

16. (U) Most Nigerian businesses and businesspeople focus on trading. Until about five years ago, Dangote was no different. As the Group developed, however, Dangote saw that if he could build manufacturing capability he could gain control over a larger portion of what went into Dangote products, and thus a larger portion of the profits.

Adding value to imported inputs (what we deem "semi-manufacturing") became a lucrative niche for the Group.

For example, the Group imports inputs for cement and then processes and bags it. The Group will probably further develop its manufacturing capacity. The cement factory it is currently building in Kogi State is located directly over a large limestone deposit that could be used as cement input.

17. (C) Dangote's shift toward manufacturing accords with the GON's nationalistic economic policies, which place a premium on domestic manufacturing and production. What we don't know is whether Dangote and others like him helped drive the policy or whether their actions were driven by the government policy. Reality is probably a mixture of both.

18. (C) In part, because of this shared dream, the Government has been very supportive of Dangote. We know the company at one time or another held exclusive import rights in sugar, cement, and rice using such advantages to do volume business and undercut competitors. In a December 1996 interview, Aliko Dangote admitted that a government mandate once forced him to import so much rice that the local market crashed by almost 80 percent. The direction of GON trade barriers also suggests preferential treatment. High tariffs or outright bans on imported items favor the Group in nearly all areas in which they do business including wheat flour, cement, certain textiles, sugar and pasta.

19. (C) Further, the GON is normally slow in privatizing state-owned production facilities. Yet the Dangote Group swiftly won bids on GON-owned manufacturing installations such as the Benue Cement Company and the Savannah Sugar Company, and constructed its own berth at GON-owned Apapa port in Lagos where ships with production inputs offload directly at the Dangote Group factory.

Early and Easy Access to Political Favoritism

10. (U) Dangote is revered for his assumed rise from rags to riches but his family connections reveal a privileged beginning. Dangote is from the prominent Dantata family of Kano State. The Dantata family made its name and wealth in commodity trading. When in his early twenties Dangote showed promise as a young businessperson, his uncle Sanusi Dantata loaned him naira 500,000 (at the time worth USD 500,000) to start out on his own.

11. (C) Because of their influence in the Hausa and Muslim communities, Dangote and Dantata have always been useful to both the civilian and military leaders who ruled Nigeria. Dangote enjoyed GON favoritism in the form of importing rights throughout the military regimes and coups of the 1980s and 90s. Though he has connections with political figures throughout the country, his link to Obasanjo (OBJ) paid off when OBJ was elected president in 1999. Since then, Dangote's market advantages and growth have multiplied.

12. (C) Dangote purportedly contributed 200 million naira (about \$1.5 million at the time) to Obasanjo's first election campaign, and in 2003 at least another one billion naira (about USD 7.5 million) for the second term. Dangote is a known contributor to the PDP party. He is a close friend with the governors of Kwara, Kogi, and Ogun states. He also enjoys support from the Sokoto Caliphate, the spiritual and political seat of power of Muslims and members of the Hausa tribe.

Nigeria's Dangote Paradigm Stands in the Way of Economic Liberalization and Democracy

13. (C) The special relationship Dangote holds with the GON defines the Dangote paradigm. The paradigm demonstrates how easily one powerful person can disrupt Nigeria's floundering democratic and economic liberalization processes. Along with outright money laundering and corruption, the Dangote paradigm is arguably one of the key factors making Nigeria a politically and economically volatile country and a risky place to do business.

14. (C) Dangote openly asserts the GON should do more to manage the economy through protectionist measures to assist what he calls the "Nigerian Industrial Renaissance." He has no qualms about "alerting the government" or "giving direction" in industrial policymaking. Dangote and some members of the GON justify this protectionism with examples such as US corporate and railroad barons and the gilded era of the late 1800s. This, they say, is the way to lay the foundation for economic growth, particularly in the manufacturing and industrial sectors. However, these alleged historic parallels do not mask the fact that the chummy relationship between Dangote and the GON, while

superficially promoting manufacturing in some sectors, is causing destructive and derailing economic activity and democracy in other areas.

15. (C) Dangote's obvious unfair advantage and support from the GON are disturbing for US companies wanting to enter a market with over 130 million consumers. Conversely, some US companies indirectly benefit from GON restrictions protecting the Dangote Group of Companies, adding complexity to the Dangote paradigm. For example, Dangote allegedly receives unfair, preferential treatment to import bulk commodities. However, he is a loyal U.S. wheat customer and buys millions of dollars worth of other US products. General Electric makes much of Dangote's machinery and the Group will buy about 300 used trucks (mostly made by International) from the US this year. Further, the Group secured a USD 310,000 grant from the Trade Development Agency in 2000 and aspires to a future Export-Import Bank loan.

Comment

16. (C) Dangote's tremendous popularity and acceptance is not likely to diminish. The average Nigerian considers him, and more importantly, his way of doing business, a model to be emulated. The fact is, however, the myriad preferences the GON has bestowed on the Dangote Group have distorted the market in ways that do more harm than good over the long haul. However, the Nigerian Government rarely takes a long-term perspective into account. The GON-Dangote relationship has been, at minimal, very chummy and mutually accommodating. Critics of this relationship would state that it smacks of insider trading. Dangote does not epitomize the free market at work in Nigeria. What his story reveals is that he is one of the few free-wheeling actors in a relatively and artificially closed economic environment.

17. (C) Comment Cont'd: Herein, lies the dilemma for the U.S. in working with Dangote and, by extension, with the Nigerian economy overall. On the one hand, it makes extremely good business sense for U.S. firms to work with Dangote and for our agencies such as EXIM and OPIC to do so as well. This promotes U.S. exports and foreign investment in Nigeria. However, the more successful Dangote becomes, the more his operation becomes a national business paradigm. Dangote's evolution, to some degree, represents progress from the almost mercantile perspective of many Nigerian businesspeople. However, he still stands a long way from the free market policies we espouse. The question is whether Dangote is a transitional figure to a more free market mentality or will he remain the paragon of business practice here. To improve the chances that he will only be a transitional figure we need to continue to work with him but exercise caution in the relationship while also seeking to work more closely with Nigeria's more authentic economic reformers. End comment.

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